

# Role of Consumer Knowledge towards Building Services Efficiency in Mexico

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## Abstract

This study is carried out in Mexico with an objective to analyse empirically the role of education in a transforming services marketing strategies of the firms. The study is carried on in Mexico through pragmatic investigation among the consumers subscribing to the communication and entertainment services. The analysis of primary data is developed around the theory of action that demonstrates the skills and confidence of individuals or groups towards making decision in acquiring or hiring services to improve their quality of life. The results of the study reveal that knowledge acquired on the services and value perceived by the consumers play key role in determining the intentions to purchases services. This study meticulously rows several arguments on how consumers with high level of education scrutinize the benefits offered by the firms marketing their communication and entertainment services, and build their value propositions on the services bought or contracted.

Keywords: Consumer knowledge, purchase intention, consumer behaviour, operational efficiency, services marketing, Mexico

## Introduction

Most firms are shifting their marketing philosophy to customer orientation by offering quality services in order to acquire and retain customers in increasing global competition. Through building personal relationships with the existing and potential customers, firms look towards inculcating the customer loyalty. However, developing relations appears to be challenging with educated customers as they are inquisitive, explorative, and meticulous in seeking information and solutions through services offered by the firms. Customer centric firms focus on providing the customer services across the table giving access to comprehensive information that can satisfy the emerging issues of the customers. In services marketing firms, loyalty is influenced by the existing knowledge of consumers and was found to be positively and significantly related to quality of information, right to information, and organizational competencies. Customer education was found to be positively associated with customer knowledge or expertise on the products or services. The customer education significantly affects customer loyalty and service quality delivered by the firms (Bell and Eisingerich, 2007). Service quality has attracted considerable attention among the global firms, and marketing services to

consumers with high education profile has been considered as a value driven strategy by the firms to serve the premium and middle level consumer segments. It is argued that consumer education is a powerful quality that enables marketing strategy in variety of service contexts to stay competitive and derive higher customer values (Burton, 2002).

This study analyses empirically the role of education in transforming services marketing strategies of the firms. The basic argument laid in this paper is that the level of education among consumers empowers the consumers' behaviour of acceptance or rejection to the services offered by the firms based on the knowledge, peer experience, brand value, competitive advantage, and operational efficiency of the services. This study meticulously rows several arguments on how consumers with high level of education scrutinize the benefits offered by the firms marketing their communication and entertainment services, and build their value propositions on the services bought or contracted. This paper explores the moderating effects of the increasing levels of customer expertise, which is seen as the outcome of customer education on the relative importance of service quality delivered in determining the customer value. The article contributes to the existing literature as no substantial research has been contributed so far towards measuring the relationship between the level of education and effectiveness of marketing of services in Mexico.

### **Review of Literature and Framework of Hypotheses**

In marketing of services, the fairness that includes distributive fairness, procedural fairness and informational fairness is positively related to customer satisfaction. These factors are more critical to in-depth analysis by customers having high level of education as well as product specific knowledge. In the process of services delivery to adaptation, trust is identified as the key mediator of fairness leading to customer satisfaction and generating long-term value (Zhu and Chen, 2012). In a competitive marketplace firms tend to develop customer oriented strategies and stay compatible to the customers' knowledge. Service-driven market orientation strategy consists of six components comprising customer orientation, competitor orientation, inter-functional orientation, performance orientation, long-term orientation, and employee orientation that have a significantly strong and positive relationship with service quality (Voon, 2006). Consumer education programs can provide significant benefits, including identification of market information, complaint and consumer redress procedures, and understanding a more technology-based consumer environment (Oumlil and Williams, 2000). Hence, in view of the above discussion, the hypothesis can be structured as:

H1: Consumers intend to acquire comprehensive knowledge on the contracted services to monitor efficiency of services delivery

The focus of consumer education in the global market environment has significant impact on the services industry. Firms involved in managing resources or designing options, from which consumers make choices, are in a much better position for influencing how social, cultural and environmental resources are used. In order to actualize this potential the firms position their services in congruence to the consumer education and develop self-efficacy, capacity for effective advocacy, and interdisciplinary collaboration. Firms also help in raising consumer awareness and the services quality of firms, and social and moral responsibilities associated with

professional practice (Sibbel, 2009). Firms delivering services influence the degree of quality of services in references to the education of consumers, skills, and cognitive abilities toward reviewing the efficiency of services. Thus, services marketing firms try to build co-shopping and co-reviewing with customers of different levels of education (Sabrina, 2005). It has been observed that often consumers with high level of education develop negative perceptions on services marketing firms. These consumers resist the services firm's deceptive practices (perceived deception) on consumer's relational variables (satisfaction and loyalty intentions to the online retailer). Also, the level of education in consumers plays moderating role in determining consumer attitude toward the Internet (Sergio, 2010). Therefore, the following hypothesis is posited:

H2 (a): Higher knowledge on the contracted services drives consumers to demand better quality of services

Consistent with prior research, this study shows that self-assessed knowledge is strongly linked to the consumer's use of personal sources of information including internal memory searches and word-of-mouth communication. Conversely, objective knowledge seems to have a positive impact on the consumer's motivation to seek external information (e.g. newspaper articles, mass media sources) about the service provider (Mattila and Wirtz, 2002). High power consumers feel more positive emotions, less negative emotions and greater satisfaction than low power consumers, but there was no difference in the expressivity of emotions. Emotion-expression mediated the relationship between emotions and satisfaction for high power consumers but not for low power consumers (Menon and Bansal, 2007). Therefore, based on the foregoing review of the literature and previous research, the following hypothesis is advanced:

H2 (b): Consumers tend to acquire information on services to empower consumers for assessing the quality of services to enhance satisfaction on services delivered.

Pricing of services is a sensitive determinant in buying decision among consumers. Services should be priced in a way to reflect the customers' price sensitivity, the nature of the transaction and its cost, and the value of information. The pricing should also reflect the four characteristics of services: intangibility, perishability, lack of standardization, and inseparability of production and consumption. By analyzing the value of information, consumers' price sensitivity, and transaction costs other than search costs against the attributes of services offered, firms could make more profitable pricing decisions (Taher and Basha, 2006). It is very difficult for large-scale retailers to price thousands of items dynamically reflecting all constraints and policies. To solve this problem, a combined model approach may be adapted that contingently selects appropriate pricing models and integrates them. Consumers acquire knowledge through the competitor-referenced pricing and demand-driven pricing dynamics in the market. In reference to the above discussion, hypothesis may be framed as:

H3: Consumers are sensitive to the price of services and express their perceptions among peers on purchase intentions

Consumers with good level of knowledge and education perceive that quality is the key to assessing whether or not the industry provides the desired service. Consumers hold the key to business survival and success. However, there is a gap between managers' perceptions of consumers' expectations and actual consumers' expectations. The main implication for the digital entertainment and communication industry is for managers to develop strategies which will meet consumers' expectations of service quality. The knowledge-based service automation system incorporates various artificial intelligence technologies such as case-based reasoning, which is used for achieving four perspectives of knowledge acquisition, service logistics, and service automation and performance measurement, respectively (Cheung et al, 2006). Customers' knowledge and expectations on services quality are interrelated. Consumer expectations are positive predictors of perceived service quality (i.e. higher expectations lead to higher perceptions of quality) while relationship between expectations and perceived service quality is stronger in the competitive marketplace than the niche markets (Hamer, 2006). In view of the discussion in the pre-text, hypothesis may be advanced as:

H4: As consumers acquire higher knowledge on services contracted, they turn more conscious on the quality of services

### **Study Design**

In order to measure the interrelationship between the knowledge of consumers and services quality in the telecommunication and entertainment firms, respondents including both men and women between the age group of 25-60 years were selected. The study was conducted among the customers of 2 major firms in each telecommunication and satellite entertainment service provider firms. The selected firms for the study were catering to consumers of the A/B, C+ and C demographic segments. The data was collected on 31 variables that were closely related towards influencing the information and knowledge building, services efficiency, and cognitive attributes of consumers. These variables include various perspectives of consumer knowledge, empowerment, brand value, services delivery, services efficiency, and consumer satisfaction in marketing of services to consumers for gaining optimal market share of firms. Data was collected from 247 respondents purposively selected, who were the customers of the selected services companies in Mexico City, administering a semi-structured questionnaire. Of the total sample respondents, men constituted 46.16 percent and women represented 53.84 percent. The data of 22 respondents (8.90 percent of total sample size) were omitted from the data analysis due to paucity of information. The respondents were involved in buying products and services from the telecommunication and satellite entertainment service provider firms in Mexico. In all, the data of 225 observations were analyzed in the study. It has been found that the overall response rate in the survey was 91.03 percent. The data collected from respondents were tested for its reliability applying the Cronbach Alfa test. Variables derived from test instruments are declared to be reliable only when they provide stable and reliable responses over a repeated administration of the test. The test results showed high reliability ( $\alpha = 0.81$ ) on an average for all observations included for analysis in reference to all variables pooled under different segments.

All reflective constructs for all variable segments of the study were analyzed through the factor analysis model as a single confirmatory test. The goodness-of-fit statistics<sup>1</sup> comprising chi-square statistics (6.31), root mean square error of approximation (0.158), Tucker-Lewis fit index (0.725), comparative fit index (0.831) and incremental fit index (0.714) indicate that the model used for analysis in the study fits the data adequately. All variables were loaded significantly on their corresponding segments which revealed significant p-value at 0.01 to 0.05 levels. The data collected from respondents was tested for its reliability applying the Cronbach Alfa test. Variables derived from test instruments are declared to be reliable only when they provide stable and reliable responses over a repeated administration of the test. The test results showed acceptable reliability level ( $\alpha = 0.722$ ) on an average for all observations included for analysis in reference to all variables pooled under different segments.

Ordinary Least Square (OLS) method to measure the customer value for buying in shopping malls (dependent variable) in reference to the above discussed physical, cognitive and economic variable (independent variables) has been computed using the construct as below:

$$S_{eff}^{jti} = \alpha + \beta_1(C_{kno}^i) + \beta_2(Q_{ser}^i) + \beta_3(S_{del}^i) + \beta_4(B_{sp}) + \beta_5(R_{bs}) + \beta_6(C_{bi}) + \beta_7(C_{sat}) + \beta_8(C_{swt}) + \varepsilon$$

In the above the error term is denoted by  $\varepsilon$  in the above equation. The model explains that the service efficiency stimulate purchase intentions of consumers in reference to consumer knowledge, services attraction, and value for money. However, services efficiency generates brand reputation and consumer loyalty in the competition marketplace.

## Results and Discussion

The data analysis has been carried on using AMOS 19 version. It has been observed during the study that the firms offering entertainment and telecommunication services in the study region do not educate the consumers prior to selling the services. On the contrary inquisitive consumers get themselves educated on the services offered by the firms in acquiring knowledge from the available resources such as information available on the Internet, social media, and through peer interactions on buying experiences. The estimation of the constructs has been carried out using the OLS equation and the results of estimations are exhibited in Table 1.

//Table 1 about here//

Large number of consumers contracts the entertainment services through telemarketing. Consumers are attracted towards the entertainment ( $\gamma_1 = 0.731, p < 0.01$ ) and telecommunication ( $\gamma_1 = 0.742, p < 0.01$ ) services contracted as customer services offered through telemarketing are trustworthy. The innovation and technology associated with the services stimulate purchase intentions of consumers and drive buying decision on entertainment

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<sup>1</sup> The goodness-of-fit statistics that the Tucker-Lewis index (TLI) also known as the Bentler-Bonett non-normed fit index (NNFI), comparative fit index (CFI) and incremental fit index (IFI) tend to range between 0 and 1, with values close to 1 indicating a good fit. The TLI (NNFI) has the advantage of reflecting the model fit very well for all sample sizes. It is observed in past empirical studies these indices need to have values above 0.9 before the corresponding model can even be considered moderately adequate.

( $\gamma_2 = 0.834, p < 0.01$ ) and telecommunication ( $\gamma_2 = 0.851, p < 0.01$ ) services offered through telemarketing. It has been observed that marketing of entertainment services through virtual shops is less preferred by the customers as time taken for delivering entertainment services ( $\mu b' = 0.439, p < 0.05$ ) through the virtual platform is longer and faulty while consumers do not prefer to stand on long queues ( $\mu b' = 0.280, p < 0.10$ ) in the customer services centers to contract telecommunication services. However, analyzing information through Internet on the services in order to build purchase intention by the consumers for entertainment ( $\mu k = 0.535, p < 0.05$ ) and from the customer service centers for telecommunication services ( $\mu k = 0.591, p < 0.05$ ) has significant impact on gaining knowledge on the services offered. The behavior of consumers towards buying entertainment ( $\gamma_3 = 0.633, p < 0.01$ ) and telecommunication ( $\gamma_3 = 0.737, p < 0.01$ ) services is highly influenced by the operational efficiency of services when contracted through telemarketing as compared to the other marketing outlets. It has been observed during the study that consumers under low-involvement conditions tend to reach deeper levels of information processing that develop lower levels of buying arousal among consumers. Involvement is a complex construct which encompasses many different dimensions such as value for money, competitive advantage, perceived risk and customer services. Each of these dimensions lead to different effects, and comprehension of advertising message also determines the extent of information processing.

The results presented in Table 1 indicate that consumers with acquired knowledge on services intending to purchase, measure the level of satisfaction ( $C_{sat}^{it}$ ) by analyzing the trust in service provider, innovation and technology inputs in the services offered, and the degree of operational efficiency. The results indicate that the level of customer satisfaction of the services procured is higher in telemarketing channel for entertainment ( $C_{Sat}^{it} = 0.669, p < 0.01$ ) and telecommunication ( $C_{Sat}^{it} = 0.751, p < 0.01$ ) services as compared to the other marketing outlets. However consumers attempt to acquire information from alternate sources, most effectively through word of mouth for analyzing efficiency of services offered. Accordingly, consumers reach deeper levels of information processing under low involvement using their knowledge on sales promotions to determine the level of perceived risk. Mexican services firms operate in restrained market competition and cannot afford losing a customer. Hence, orders for services are randomly accepted in order to keep serving the customers. As a result and as an effort to compensate for possible financial losses due to this volatility, Mexican retail services segment as a common practice takes on more work orders than they can normally complete on time causing dissatisfaction among consumers and trigger switching behavior. In view of the above analysis, the results have been found consistent with hypotheses **H<sub>1</sub>**, **H<sub>2(a)</sub>** and **H<sub>2(b)</sub>**.

//Table 2 about here//

The impact of consumer education on purchase intentions of services through different channels has been analyzed in reference to the data on various functional variables in Table 2. Consumers who have updated knowledge on the services, which they intend to contract, expect higher quality of services. However, the perceived quality of services among consumers differs across the services channels. The results exhibited in the Table 5 indicate that perceived services quality in all services marketing channels is statistically significant except on virtual channel for purchasing entertainment services ( $Q_{ser}^i = 0.229$ ). However delivery of telecommunication

services were found significant through the telemarketing ( $S_{del}^i = 0.756, p < 0.01$ ) and customer services centers ( $S_{del}^i = 0.722, p < 0.01$ ). Consumers acquire adequate knowledge on services pricing from all marketing channels to determine their purchase intention. The results presented in the above Table indicate that the higher the price advantages of services [ENT – TM( $B_{sp} = 0.623, p < 0.01$ )] the stronger the purchase intentions [ENT – TM( $B_{sp} = 0.630, p < 0.01$ )] in entertainment service product. Similar inference can be drawn to measure the purchase intentions of consumers towards telecommunication services through the telemarketing [TELCO – CSC( $C_{bt} = 0.561, p < 0.05$ )] channel and customer service center [TELCO – CSC( $C_{bt} = 0.617, p < 0.01$ )] . Consumers also gain awareness about the brand reputation on services offered to determine their purchase intentions. Hence, the results discussed above are consistent with the hypotheses **H<sub>3(a)</sub>**, **H<sub>3(b)</sub>**, and **H<sub>4(b)</sub>**.

### **Managerial Implications**

Consumer education can be used by the service delivery firms as an effective and viable tool to implement marketing strategies. However, some corporations use consumer education to motivate self-promotion, advertising and build self-reference criteria to help consumers in strengthening their purchase intentions. The consumer education programs have the potential to benefit consumers and enhance social and brand value of the services. Consumer education and counseling should be introduced by the services firms for specific services like health, education, telecommunication, finance etc. Such support on the consumer education would enhance information analysis and decision making abilities. Most of the services firms are of the view that there exists high demand for services like entertainment, telecommunication, transport, education, health, banking, and insurance and believe that services can be sold easily to the stressed consumers, which is not a correct notion in the growing market competition. However, marketing professionals have often oversimplified the problem of building successful services brands by educating the consumers on the services offered by the firm, the customer relations can play an important strategic role. Strong service brands can be built by co-creating with consumers and this process demands enormous awareness of services offered, corporate reputation, and competitive advantage.

### **Conclusion**

The results of the study reveal that consumers intend to acquire comprehensive knowledge on the contracted services to monitor efficiency of services delivery and as consumers acquire higher knowledge on the contracted services they intend to demand better quality of services. The study observed that consumers are sensitive to the price of services and express their perceptions among peers on purchase intentions. However, consumers who are dissatisfied with the services offered are induced to switch the services from the present service provider. The study reveals that most services marketing firms do not give priority to the consumer education on services and refrain from complying with the pre-sales promises that prompts switching behavior among the consumers. The study suggests that services firms should develop sustainable services packages by integrating public information on services, competitive advantages, and social values of services offered by the firm, co-creating with consumers for delivering higher satisfaction to consumers. The discussions in the study also divulge that purchase intentions on services are largely driven by services attractions, inter-personal

influences, consumer-employee relations and comparative gains. Major factors that affect shopping purchase intentions include services innovation and technology, services upgrades, virtual support, brand value, and price. Like many other empirical studies this research might also have some limitations in reference to sampling, data collection and generalization of the findings. The samples drawn for the study may not be enough to generalize the study results.

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Table 1 Estimations of Structural Equations

(n=225)

Services Segments		Parameters								
Shopping Clusters	Respondents	$C_{sat}^{it}$	$(\gamma_1)$	$(\gamma_2)$	$(\gamma_3)$	$(\beta)$	$(\mu b')$	$(\mu k)$	SE	Chi-Square
ENT-TM	186	0.669*	0.731*	0.834*	0.633*	0.633*	0.724*	0.622*	2.914	84.06
ENT-VS	21	0.481**	0.249	0.392**	0.422**	0.522**	0.439**	0.535*	4.618	11.72
TELCO-TM	165	0.751*	0.742*	0.851*	0.737*	0.737*	0.712*	0.521**	2.487	76.20
TELCO-CSC	74	0.314 <sup>+</sup>	0.331**	0.472**	0.191	0.391**	0.280 <sup>+</sup>	0.591*	1.466	97.44

ENT-TM= Entertainment services purchased through telemarketing

ENT-VS= Entertainment services contracted through virtual shops

TELCO-TM = Telecommunication services purchased through telemarketing

TELCO-CSC= Telecommunication services contracted through customer services center

\*p &lt; 0.01, \*\* p &lt; 0.05, +p &lt; 0.10, SE= Standard Error

The sum of number of respondents in column 2 exceeds the total respondents as same respondents have contracted for more than one service

Table 2: Impact of Consumer Education on Services Purchase Intentions

(n= 225)

Analytical variables <sup>a</sup>	Services shopping clusters			
	ENT-TM	ENT-VS	TELCO-TM	TELCO-CSC
Consumer knowledge on services ( $C_{kno}^i$ )	0.619*	0.358**	0.611*	0.736*
Perceived quality of services ( $Q_{ser}^i$ )	0.671*	0.229	0.717*	0.813*
Delivery of contracted services ( $S_{del}^i$ )	0.425**	0.342 <sup>+</sup>	0.756*	0.722*
Knowledge on price advantages ( $B_{sp}$ )	0.623*	0.184	0.845*	0.616*
Awareness on brand reputation of services ( $R_{bs}$ )	0.615*	0.187	0.317 <sup>+</sup>	0.554*
Purchase intention of consumers ( $C_{bt}$ )	0.630*	0.284 <sup>+</sup>	0.561**	0.417*
Constant	0.1439	0.2215	0.3499	0.1079
$\bar{R}^2$	0.573**	0.193*	0.796*	0.513**

<sup>a</sup> =Variables are described in equation (5)

\*p &lt; 0.01, \*\* p &lt; 0.05, +p &lt; 0.10